

Message Text

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ORIGIN EUR-12

INFO OCT-01 NEA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03
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TO AMEMBASSY ANKARA PRIORITY
INFO AMEMBASSY ATHENS
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL FRANKFURT
AMCONSUL ISTANBUL
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY NICOSIA
AMEMBASSY PARIS
USMISSION USNATO
AMCONSUL ZURICH

C O N F I D E N T I A L STATE 077161

BRUSSELS ALSO FOR USEEC, PARIS ALSO FOR USOECD

E.O. 11652:GDS

TAGS: EFIN, TU
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SUBJECT: TURKISH FINANCIAL DEVELOPMENTS

REF: ANKARA 2235

1. IN ADDITION TO SIGNING IMF LETTER OF INTENT AND HOLDING
SEPARATE MEETINGS WITH TREASURY SECRETARY BLUMENTHAL,

COUNSELOR NIMETZ, AND EXIM BANK PRESIDENT MOORE (SEPTELS),
TURKISH FINANCE MINISTER MUEZZINOGLU MARCH 23 ALSO SAW
IBRD PRESIDENT MCNAMARA, MET WITH PRESS, AND ATTENDED
RECEPTION AT TURKISH EMBASSY.

2. IBRD STAFF MEMBER TOLD DEPTOFF EVENING MARCH 23 THAT
MCNAMARA/MUEZZINOGLU MEETING HAD GONE VERY WELL. MCNAMARA,
WHO WILL BE VISITING TURKEY BEGINNING APRIL 9, HAD INDI-
CATED WORLD BANK HAD OPEN, POSITIVE ATTITUDE TOWARD RESUM-
ING PROJECT LENDING IN TURKEY AS SHORT-TERM BALANCE OF
PAYMENTS PROBLEMS BEGAN TO BE OVERCOME. MCNAMARA REPORTED-
LY SUGGESTED TO MUEZZINOGLU THAT GOT MIGHT WISH TO REVIEW
MEDIUM-TERM POLICIES IN ORDER TO AVOID RECURRENCE OF RECENT
BALANCE OF PAYMENTS DIFFICULTIES. HE ALSO RECALLED THAT
WHEN HE VISITED KUWAIT AND SAUDI ARABIA IN JANUARY BOTH
GOVERNMENTS HAD SHOWN INTEREST IN TURKEY ONCE CURRENT
ECONOMIC PROBLEMS ARE SURMOUNTED.

3. MUEZZINOGLU WILL MEET WITH TOP EXECUTIVES OF CHASE,
CITIBANK, AND MORGAN GUARANTY IN NEW YORK MARCH 24 AND,
ACCOMPANIED BY FINANCE MINISTRY OFFICIAL MRS OYMEN, WILL
STOP IN PARIS EARLY NEXT WEEK ENROUTE BACK TO ANKARA.
FINANCE MINISTRY SECRETARY GENERAL GUCAVAS AND CENTRAL
BANK OFFICIAL CANEVI WILL REMAIN IN NEW YORK TO TALK WITH
OTHER BANKS MARCH 27 AND WILL THEN STOP IN FRANKFURT AND
POSSIBLY ZURICH NEXT WEEK TO MEET WITH PRIVATE BANKS BE-
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FORE RETURNING TO TURKEY.

4. TREASURY AND DEPARTMENT OFFICERS AT THE RECEPTION
MARCH 23 EMPHASIZED TO GUCAVAS THAT USG SAW USEFULNESS
OF MEETING IN APPROPRIATE INTERNATIONAL FORUM TO DISCUSS
LONGER TERM ECONOMIC PROBLEMS OF TURKEY BUT HAD OPEN MIND
ON WHETHER OECD CONSORTIUM SHOULD BE REACTIVATED AT THIS
TIME. GUCAVAS INDICATED THAT GOT WANTS TO CALL A MEET-
ING OF THE CONSORTIUM AT AN EARLY DATE. WHEN ASKED THE
PURPOSE OF SUCH A MEETING HE SAID "TO TALK ABOUT TURKEY'S
PROBLEMS," INDICATING, WE THOUGHT, THAT LITTLE THINKING
AND NO PLANNING HAS GONE INTO THIS POSITION. WE STRESSED
IMPORTANCE OF CAREFUL PREPARATION FOR ANY MULTILATERAL
MEETING AND EMPHASIZED THAT POSSIBILITIES OF U.S. ASSIS-
TANCE WERE LIMITED AND THAT IN GENERAL SITUATION WAS NOW
CONSIDERABLY DIFFERENT THAN WHEN CONSORTIUM WAS ACTIVATED
IN THE 1960'S. GUCAVAS SAID GOT FULLY REALIZED THAT SITU-
ATION HAD CHANGED AND THAT LARGE-SCALE CONCESSIONAL AID
WAS NOT AVAILABLE FOR TURKEY. WE ALSO STRESSED THAT AS A
MATTER OF POLICY USG WOULD NOT FAVOR
OFFICIAL DEBT RESCHEDULING IN FRAMEWORK OF OECD CONSORTIUM.

5. MEMBER OF TURKISH IMF DELEGATION TOLD DEPTOFF THAT AGREEMENT PROVIDES FOR DISBURSEMENT OVER TWO-YEAR PERIOD OF FOUR CREDIT TRANCHES (AFTER FORTHCOMING QUOTA INCREASE, THIS WILL AMOUNT TO SOME 200 MILLION SDR) AND THE EQUIVALENT OF TWO CREDIT TRANCHES, ABOUT 100 MILLION SDR, EVENTUALLY FROM THE WITTEVEEN FACILITY BUT WHICH WILL BE AVAILABLE ACCORDING TO AGREED DISBURSEMENT SCHEDULE EVEN IF WITTEVEEN FACILITY DELAYED. FUND USING AN EMERGENCY PROVISION TO, IN EFFECT, "BRIDGE" ANY TIME GAP BETWEEN WHEN THIS AMOUNT WOULD BE NEEDED AND WHEN THE WITTEVEEN FACILITY BECOMES AVAILABLE. IN ADDITION, TURKEY WILL BE ALLOWED TO DRAW ITS TOTAL REMAINING ALLOTMENT UNDER THE CFF (37.75 MILLION SDR UNDER THE OLD QUOTA, BUT APPROXIMATELY 74 MILLION SDR UNDER THE NEW QUOTA). THE SDR TOTAL
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EQUALS APPROXIMATELY DOLS 450 MILLION. VANCE

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